EXHIBIT A

REPRESENTATIVE EXAMPLE OF BASE DOCUMENTATION

BASE PROSPECTUS

LEHMAN BROTHERS HOLDINGS INC.

(INCORPORATED IN THE STATE OF DELAWARE)

LEHMAN BROTHERS TREASURY CO. B.V.

(INCORPORATED WITH LIMITED LIABILITY IN THE NETHERLANDS
AND HAVING ITS STATUTORY DOMICILE IN AMSTERDAM)

LEHMAN BROTHERS BANKHAUS AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY)

U.S.$100,000,000,000

EURO MEDIUM-TERM NOTE PROGRAM

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED
AS TO NOTES TO BE ISSUED BY EACH OF LEHMAN BROTHERS TREASURY CO. B.V.
AND LEHMAN BROTHERS BANKHAUS AG BY

LEHMAN BROTHERS HOLDINGS INC.

Lehman Brothers Holdings Inc. (including when acting through its London Branch, "*LBHI*"), Lehman Brothers Treasury Co. B.V. ("*LBTCBV*") and Lehman Brothers Bankhaus AG (including when acting through its London Branch, "*LBB*") (each an "*Issuer*" and collectively, the "*Issuers*") have established a program (the "*Program*") under which they may from time to time issue medium-term notes (the "*Notes*") in series (each a "*Series*" or the "*Notes of a Series*") with each Series comprising one or more tranches (each a "*Tranche*") of Notes, outside the United States with maturities of one month or more from the date of issue and denominated in U.S. dollars or, subject to certain conditions and as provided in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" herein, in other currencies or composite currencies. Each Note issued by LBTCBV or LBB will have the benefit of an unconditional and irrevocable guarantee (the "*Guarantees*") of LBHI, as guarantor thereunder (in such capacity, the "*Guarantor*"), as to all amounts of principal and premium and interest, if any, thereof and thereon due. The maximum principal amount of Notes outstanding under the Program may not at any time exceed U.S.$100,000,000,000, of which the maximum principal amount of Notes outstanding issued by LBB may not at any time exceed U.S.$2,000,000,000 (or, in each case, the equivalent in other currencies or composite currencies calculated as described herein); provided that the Issuers reserve the right to increase such amount from time to time.

The Notes, which may be issued at their principal amount or at a premium or discount to their principal amount, may bear interest on a fixed or floating rate basis or equity linked interest and/or interest linked to the performance of one or more reference entities or other basis or combination thereof or be issued on a fully discounted basis and not bear interest.

Notes of a Series may be issued on an unsubordinated basis or on a subordinated basis in either bearer or registered form. Notes in bearer form will initially be represented by a temporary global Note. Each temporary global Note which is intended to be issued in new global note form (a "*New Global Note*" or "*NGN*") will be deposited on or around the issue date thereof with a common safekeeper for Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme, Luxembourg ("*Clearstream, Luxembourg*"). Each temporary global Note which is not intended to be issued in new global note form (a "*Classic Global Note*" or "*CGN*") will be deposited on or about the issue date thereof with a common depositary for Euroclear and Clearstream, Luxembourg. Notes in bearer form will not be exchangeable for Notes in registered form. Notes in registered form may initially be issued in definitive or global form and, in the latter case, the global Note will be deposited on or about the issue date thereof with either a common depositary for Euroclear and Clearstream, Luxembourg or a custodian for The Depositary Trust Company ("*DTC*"). Notes, in registered form will not be exchangeable for Notes in bearer form. See "Form of the Notes" and "Terms and Conditions of the Notes" herein.

Application has been made to the Irish Financial Services Regulatory Authority (the "*IFSRA*"), which is the Irish competent authority for the purpose of Directive 2003/71/EC (the "*Prospectus Directive*") for approval of this Base Prospectus (the "*Base Prospectus*") as a base prospectus issued in compliance with the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "*Prospectus Regulations*") for the purpose of giving information with regard to the issue of Notes under the Program during the period of twelve months after the date hereof. Application will be made for Notes issued under the Program to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market and on the Alternative Securities Market of the Irish Stock Exchange. Such approval relates only to the Notes which are to be admitted to trading on the EU Regulated Market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application has also been made to the Singapore Exchange Securities Trading Limited (the "*Singapore Stock Exchange*") for approval in respect of the listing and quotation on the Official List of the Singapore Stock Exchange of any Notes issued under the Program which are agreed at the time of the issue to be so listed on the Singapore Stock Exchange during the period of 12 months after the date of this Base Prospectus. The Singapore Stock Exchange assumes no responsibility for the correctness of any statements made or opinions or reports contained in this Base Prospectus. Admission of the Notes to the Official List of the Singapore Stock Exchange and quotation of the Notes on the Singapore Stock Exchange is not to be taken as an indication of the merits of the Issuers or the Guarantor, or the Notes.

Notes to be issued pursuant to the Program will have the minimum denomination specified in the relevant Final Terms or Drawdown Prospectus (each term as defined below), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

The Program provides that Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer(s). In particular, Notes denominated in Australian dollars and issued in the domestic Australian capital markets ("*Australian Domestic Notes*") by LBTCBV or LBHI may be listed on the Australian stock exchange operated by ASX Limited (the "*Australian Stock Exchange*").

Neither the Notes nor the Guarantees have been, or will be, registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), and may include Notes in bearer form that are subject to United States tax law requirements. Neither the Notes nor the Guarantees may be offered, sold or delivered within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Issuers may offer and sell certain Series of Notes within the United States to persons reasonably believed by such Issuers to be qualified institutional buyers (each, a "*QIB*") within the meaning of Rule 144A under the Securities Act ("*Rule 144A*") in reliance on the exemption provided by Rule 144A.

Arranger and Dealer

LEHMAN BROTHERS

The date of this Base Prospectus is July 24, 2008.

This Base Prospectus replaces the Base Prospectus dated July 24, 2007.

INTRODUCTION

In this document, references to the "*Group*" are to Lehman Brothers Holdings Inc. and its direct and indirect subsidiaries (which include LBTCBV and LBB).

LBHI accepts responsibility for all the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBTCBV accepts responsibility for all the information contained in this Base Prospectus to the extent that such information relates to LBTCBV and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus which relates to LBTCBV is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBB accepts responsibility for all the information contained in this Base Prospectus to the extent that such information relates to LBB and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus which relates to LBB is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The information relating to ISDAFIX (as set out herein) has been extracted from information displayed by Reuters and published by ISDAFIX on ISDAFIX page ISDAFIXINFO01. Each of LBHI, LBTCBV and LBB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information displayed by Reuters and published by ISDAFIX on ISDAFIX page ISDAFIXINFO01, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus must be read in conjunction with all information deemed to be incorporated by reference (see "Information Incorporated by Reference" on page 45) and shall be read and construed on the basis that such Information is so incorporated and forms part of this Base Prospectus.

This Base Prospectus (together with supplements to this Base Prospectus from time to time (each a "*Supplement*" and together the "*Supplements*")) comprises three base prospectuses in respect of each of LBHI, LBTCBV, and LBB and in respect of LBHI as Guarantor for the purposes of Article 5.4 of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "*Irish Prospectus Regulations*").

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto.

No person is authorized to give any information or to make any representations other than those contained in this document in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized by LBHI, LBTCBV, LBB or any Dealer. None of this Base Prospectus, any supplement, any other financial statements or any further information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation or a statement of opinion, or a report of either of those things, by LBHI, LBTCBV, LBB or the Dealers that any recipient of this Base Prospectus, any supplement, any other financial statements or any further information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuers, the Guarantor and the Group. None of this Base Prospectus, any supplement, any other financial statements or any further information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of any of LBHI, LBTCBV, LBB or the Dealers to any person to subscribe for, or to purchase, any of the Notes.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning LBHI, LBTCBV, LBB or the Group is correct at any time subsequent to the date hereof or that any supplement, any other financial statements or any further information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of LBHI, LBTCBV, LBB or the Group during the life of the Program. Investors should review, *inter alia*, the most recent consolidated financial statements of LBHI and the unconsolidated financial statements of LBTCBV and LBB when deciding whether or not to purchase any of the Notes.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by IFSRA. The Issuers are not and will not be regulated by IFSRA as a result of issuing the Notes.

Where an Issuer wishes to issue Notes with a maturity of less than one year, it shall do so in full compliance with the notice issued by IFSRA of exemptions granted under section 8(2) of the Central Bank Act, 1971, as amended.

Copies of this Base Prospectus have been filed with and approved by IFSRA as required by the Irish Prospectus Regulations.

The distribution of this Base Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. None of LBHI, LBTCBV, LBB or the Dealers represents that this Base Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and none of this Base Prospectus, any supplement, any advertisement or any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and each of the Dealers has represented that all offers and sales by it will be made on the same terms. Persons into whose possession this Base Prospectus comes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, The Netherlands, Singapore, Italy, Australia and New Zealand. See "Subscription and Sale" herein.

Neither the Notes nor, where applicable, the Guarantees have been, or will be, registered under the Securities Act, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes in bearer form may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons. Accordingly, the Notes may be offered and sold only (A) in registered form in the United States to QIBs in reliance on Rule 144A if the relevant Final Terms, or the Drawdown Prospectus, as the case may be, so provide and/or (B) in registered or bearer form outside the United States (as such term is defined in Regulation S under the Securities Act ("*Regulation S*")) to non-U.S. persons in reliance on Regulation S and, in the case of Notes in bearer form, in compliance with applicable U.S. tax law requirements. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Subscription and Sale".

Notwithstanding any provision herein, any person (and each employee, representative, or other agent of such person) may disclose to any and all other persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such U.S. tax treatment and U.S. tax structure.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE

CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to "dollars", "U.S.$" and "$" are to the currency of the United States of America, references to "pounds", "sterling" and "£" are to the currency of the United Kingdom, references to "A$" and "Australian dollars" are to the currency of the Commonwealth of Australia, references to "NZ$" and "New Zealand dollars" are to the lawful currency of New Zealand, references to "euro", "EUR" and "€" are to the single currency of participating member states of the European Union and references to "S$" are to the currency of Singapore.

In connection with the issue of any Tranche (as defined under "Terms and Conditions of the Notes") of Notes under the Program, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilization must be conducted by the relevant Stabilizing Manager (or person(s) acting on behalf of any Stabilizing Manager) in accordance with all applicable laws, rules and regulations and in particular may not be conducted in, or on any market in, Australia or New Zealand.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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SUMMARY OF THIS BASE PROSPECTUS

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole. No civil liability will attach to the persons responsible for this summary in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Issuers:

Lehman Brothers Holdings Inc. ("*LBHI*")

LBHI, a Delaware corporation, is the ultimate parent company of the Lehman Brothers group. Lehman Brothers' principal business activities are investment banking, capital markets and investment management.

Its global headquarters in New York and regional headquarters in London and Tokyo are complemented by offices in additional locations in North America, Europe, the Middle East, Latin America and the Asia Pacific region. Lehman Brothers, through predecessor entities, was founded in 1850.

LBHI also acts through its London Branch which is registered at Companies House with Branch Number BR005486.

Summary financial information in respect of LBHI is set out in this Base Prospectus.

Lehman Brothers Treasury Co. B.V. ("*LBTCBV*")

LBTCBV was incorporated in The Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) and it acts principally as a Netherlands finance company supporting the working capital needs of various, principally European, subsidiaries of LBHI.

Summary financial information in respect of LBTCBV is set out in this Base Prospectus.

Lehman Brothers Bankhaus AG ("*LBB*")

LBB was incorporated under German law as a private Stock Corporation ("*Aktiengesellschaft*"). The principal activity of LBB is to act as a commercial bank supporting the working capital and lending requirements of various institutional clients worldwide and European subsidiaries of LBHI. In addition LBB provides financial advisory services to investment banking clients in Germany and Austria.

LBB also acts through its London Branch which is registered at Companies House with Branch Number BR003960.

	Summary financial information in respect of LBB is set out in this Base Prospectus.
Guarantor:	In the case of Notes issued by LBTCBV and LBB, LBHI in each case, pursuant to a guarantee agreement dated July 24, 2008 between the relevant Issuer and the Guarantor (as amended, restated or supplemented from time to time, each a "*Guarantee*" and together the "*Guarantees*"). Under the Guarantees, LBHI will unconditionally and irrevocably guarantee all amounts of principal and premium and interest (if any) on Notes issued by each of LBB and LBTCBV so that should either of LBB or LBTCBV fail to perform or procure the performance of any obligation under the Terms and Conditions of the Notes, upon written demand by the Holders, the Guarantor shall be liable to pay such amounts.
Arranger:	Lehman Brothers International (Europe).
Dealers:	Lehman Brothers International (Europe) and Lehman Brothers Inc. pursuant to an amended and restated distribution agreement dated July 24, 2008 between themselves, the Issuers and the Guarantor (as further amended, restated or supplemented from time to time, the "*Distribution Agreement*") (together with any other dealers appointed from time to time pursuant to the Distribution Agreement, the "*Dealers*").
Fiscal Agent, Principal Paying Agent, Registrar and the Exchange Agent:	The Bank of New York Mellon, acting through its London branch, as the Fiscal Agent and the Principal Paying Agent, and the Bank of New York Mellon, acting through its New York branch, as the Registrar, the agent making payments in the case of Notes registered in the name of a nominee of DTC that are denominated in currency other than U.S. dollars (the "*Exchange Agent*") and the U.S. Sub-Paying Agent, pursuant to an amended and restated fiscal agency agreement dated July 24, 2008 between, inter alia, the Fiscal Agent, the Registrar, the Issuers and the Guarantor (as further amended, restated or supplemented from time to time, the "*Fiscal Agency Agreement*") or such other agent as is specified in the relevant Final Terms.
Irish Listing Agent:	The Bank of New York Mellon.
New York Paying Agent:	The Bank of New York Mellon, acting through its New York branch.
Program Amount:	Up to U.S.$100,000,000,000 (but only up to U.S.$2,000,000,000 of such amount in respect of Notes issued by LBB) aggregate principal amount of Notes outstanding.
Currencies:	Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s).

Australian Domestic Notes:	Notes issued pursuant to the Program may include Australian Domestic Notes. Australian Domestic Notes will be issued by LBTCBV or LBHI pursuant to a deed poll to be entered into by the relevant Issuer and will be registered in uncertificated and dematerialised book-entry form with Austraclear Limited as operator of the Austraclear System (as defined in "Terms and Conditions of the Notes" herein).
Danish Notes:	Notes issued pursuant to the Program may include Danish Notes. Danish Notes will be issued by LBTCBV or LBB pursuant to the Fiscal Agency Agreement as supplemented by a Danish Agency Agreement with Skandinaviska Enskilda Banken A/S as Danish Issuing Agent and will be registered in uncertificated and dematerialised book-entry form with Danish Securities Centre ("*VP*"). For so long as it is a requirement of the VP Rules (as defined below), Danish Notes may not provide for any form of settlement in respect of payment of interest, principal or premium other than payment in cash.
Finnish Notes:	Notes issued pursuant to the Program may include Finnish Notes. Finnish Notes will be issued by LBTCBV or LBB pursuant to the Fiscal Agency Agreement as supplemented by a Finnish Issuing and Paying Agency Agreement with Nordea Bank Finland Plc as Finnish Issuing Agent and will be registered in uncertificated and dematerialised book-entry form with the Finnish Central Securities Depository (the "*APK*").
New Zealand Domestic Notes:	Notes issued pursuant to the Program may include Notes denominated in New Zealand dollars that may be cleared through the Austraclear New Zealand System ("*New Zealand Domestic Notes*"). New Zealand Domestic Notes will be issued by LBTCBV or LBHI pursuant to a deed poll to be entered into by the relevant Issuer and will be registered in uncertificated and dematerialised book-entry form in the name of New Zealand Central Securities Depository Limited and held in the Austraclear New Zealand System (as defined in "Terms and Conditions of the Notes" herein).
Norwegian Notes:	Notes issued pursuant to the Program may include Norwegian Notes. Norwegian Notes will be issued by LBTCBV or LBB pursuant to the Fiscal Agency Agreement as supplemented by a Norwegian Agency Agreement with DnB NOR Bank ASA as Norwegian Issuing Agent and will be registered in uncertificated and dematerialised electronic book-entry form with the Norwegian Central Securities Depository (the "*VPS*").
Swedish Notes:	Notes issued pursuant to the Program may include Swedish Notes. Swedish Notes will be issued by LBTCBV or LBB pursuant to the Fiscal Agency Agreement as supplemented by a Swedish Agency Agreement with Swedbank AB (publ) as Swedish Issuing Agent and will be registered in uncertificated and dematerialised book-entry form with the Swedish Central Securities Depository (the "*VPC*"). For so

	long as it is a requirement of the VPC Rules (as defined below), Swedish Notes may not provide for any form of settlement in respect of payment of interest, principal or premium other than payment in cash.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, subject to a minimum maturity of one month or more.
Issue Price:	Notes may be issued at their principal amount, at a premium or discount to their principal amount or on a partly paid basis, as specified in the Final Terms relating to such Notes. The Issuer and the Dealers reserve the right to offer and sell the Notes at one or more prices that differ from the Issue Price.
Fixed Rate Notes:	Fixed Rate Notes will bear interest which will be payable in arrears on each Interest Payment Date as may be specified in the applicable Final Terms and upon redemption or maturity and will be calculated on such basis as may be specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a nominal interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions, or calculated by reference to LIBOR or EURIBOR or such other reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s) as is specified in the applicable Final Terms, in each case as adjusted by addition or subtraction of any applicable spread or by multiplication by any applicable spread multiplier.
Index-Linked Notes:	Notes issued pursuant to the Program may include Notes which provide for payments of principal or premium in respect of Index-Linked Redemption Amount Notes or of interest in respect of Index-Linked Interest Notes which are linked to a currency or commodity index, securities exchange or commodities exchange index or other index or as otherwise specified in the applicable Final Terms, or linked to a basket of such indices. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Final Terms relating to such Notes.
Hybrid Rate Notes:	Notes issued pursuant to the Program may include Notes in which interest will be payable in arrears on specified Interest Payment Dates in any combination of rate bases during the term of such Notes including as Zero Coupon Notes, Fixed Rate Notes, Floating Rate Notes and/or Index-Linked Interest Notes (or calculated on any other basis in respect of rate or return), in each case as specified in the applicable Final Terms.

Equity-Linked and Credit-Linked Notes:	Notes issued pursuant to the Program may include Notes which provide for payments of principal, premium or interest which are linked to a single share or a basket of several shares ("*Equity-Linked Notes*"), or Notes which provide for payment upon redemption and/or return based on the credit performance of any one or more reference entities ("*Credit-Linked Notes*"), in each case as specified in the applicable Final Terms. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Final Terms. In either case the Notes may provide for physical settlement involving transferable securities (provided, however, that in the case of equity securities of U.S. issuers, such equity securities will not include "restricted securities" within the meaning of Rule 144 under the Securities Act) with respect to certain specified obligations in accordance with the provisions of the applicable Final Terms. For the avoidance of any doubt, the Issuer will not issue equity securities (such as shares) or asset-backed securities under this Program and the securities underlying Equity-Linked Notes will not be the securities of the relevant Issuer or another entity belonging to the Lehman Brothers Group.
Other Provisions Relating to Floating Rate Notes and Index-Linked Interest Notes:	Floating Rate Notes and Index-Linked Interest Notes may have a maximum interest rate, a minimum interest rate or both or neither. Interest on Floating Rate Notes and Index-Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of the relevant Day Count Fraction unless otherwise specified in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will, unless otherwise specified in the relevant Final Terms, be offered and sold at a discount to their principal amount and will not bear interest.
Dual Currency Notes:	Notes issued pursuant to the Program may include Notes as to which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies and based upon such rate of exchange as agreed by the relevant Issuer and the relevant Dealer(s) as specified in the applicable Final Terms.
Inflation-Linked Notes:	Notes issued pursuant to the Program may include Notes in respect of which the rate of interest applicable for one or more Interest Periods and /or the redemption amount is calculated by reference to one or more indices relating to the consumer price index or any other formula linked to a measure of inflation in one or more jurisdictions, as specified in the applicable Final Terms.
Quanto Notes:	Notes issued pursuant to the Program may include Notes issued in a currency (the "*Quanto Currency*") in respect of which, the rate of interest for one or more Interest Periods is

	calculated by reference to, among other variables, a currency exchange rate or currency exchange rates or interest rate or interest rates in respect of a currency or currencies, or an asset or assets or index or indices denominated in a currency or currencies, that is different to that of the Quanto Currency (each a "*Reference Currency*") as specified in the applicable Final Terms. All interest amounts payable under the Notes and any amounts payable on the redemption of the Notes are paid in the Quanto Currency.
Variable Cap Notes:	Notes issued pursuant to the Program may include Variable Cap Notes, in respect of which the rate of interest applicable for some or all of the term of the Notes is subject to a variable maximum interest rate (or cap) as specified in the applicable Final Terms. The variable maximum rate of interest (the "*Variable Cap*") may be determined by reference to any rate, currency, index or formula (each a "*Variable Cap Factor*"), or any combination of such Variable Cap Factors.
Rates of Interest Determined by Reference to Swap Rates:	Notes issued pursuant to the Program may include Notes in respect of which the redemption amount, rate of interest, maximum rate of interest and/or minimum rate of interest is determined by reference to one or more swap rates specified in the applicable Final Terms.
Steepener Notes:	Notes issued pursuant to the Program may include Steepener Notes, in respect of which the rate of interest applicable for one or more Interest Periods is determined by reference to the difference between two swap rates specified in the applicable Final Terms, which difference may (if so specified in the applicable Final Terms) then be multiplied by a factor, subject to any minimum and/or maximum interest rates specified.
Path-Dependent Notes:	Notes issued pursuant to the Program may include Notes in respect of which, the rate of interest for one or more Interest Periods is calculated by reference to the rate of interest for one or more previous Interest Periods. The rate of interest for any Interest Period may be calculated by reference to the immediately preceding Interest Period (the "*Previous Rate*") and one or more variables. Such variable may include a rate, a currency, an index, a formula and/or a constant. Alternatively, the rate of interest could be subject to a maximum or minimum rate of interest based upon the Previous Rate.
Switchable Notes:	Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest or a component of the rate of interest specified in the applicable Final Terms may, on certain dates (each an "*Exercise Date*"), change to a different rate of interest or component of the rate of interest (as the case may be) at the option (each a "*Switch Option*") of either the Issuer and/or the Noteholder and/or a third party (the "*Switch Option Holder*"). The number of Switch Options available to the Switch Option Holder may be limited or unlimited as

specified in the applicable Final Terms. The occurrence of such an event is known as a "*Switch Event*".

Target Redemption Notes: Notes issued pursuant to the Program may include Notes that will be redeemed if the aggregate amount of interest to be paid under the Notes (the "*Aggregate Interest Amount*") is equal to or exceeds a target amount of interest as specified in the applicable Final Terms. Such redemption will be at an amount and on a date specified in the applicable Final Terms.

Trigger Notes: Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest specified in the applicable Final Terms may convert into a different rate of interest depending upon certain events ("*Trigger Events*") occurring on certain dates (each a "*Trigger Date*") or within a specified period ("*Trigger Period*") each as specified in the applicable Final Terms. Such Trigger Events may be, but are not limited to, events upon which one or more indices, formulae, currency exchange rates, shares, constants, other factors or a combination thereof ("*Trigger Indices*") are greater than and/or equal to and/or lower than and/or equal to one or more other indices, formulae, currency exchange rates, constants, other factors or a combination thereof.

Commodity-Linked Notes: An Issuer may offer Notes in respect of which the Rate of Interest applicable for one or more Interest Periods and/or the Final Redemption Amount or other redemption amount or the timing of payments, redemption of the Notes and/or any other economic feature, is calculated by reference to the prices of one or more commodities or combinations thereof, including certain agricultural products, energy products (including emissions), metals and plastics, as specified in the Final Terms for the relevant Notes. The relevant agricultural products, energy products (including emissions), metals or plastics and particular type(s) of such products being referenced will be as specified in the Final Terms for the relevant Notes. The price(s) of each such product being referenced may be in respect of a particular contract for the future delivery of such commodity, as may be reported on a particular exchange, screen-based service or other publication source, all as specified in the applicable Final Terms. The price may also be based on the price of the commodity for immediate delivery or for financial settlement. Such Notes may also be, but are not limited to, Index-Linked Redemption Amount or Index-Linked Interest Notes.

FX Notes: Notes issued pursuant to the Program may include Notes ("*FX Notes*") under the terms of which:

1. such Notes are denominated in an emerging market currency (the "*EM Currency*"), which is any currency other than G-10 Currencies (for the purpose of this section "*G-10 Currencies*" means the U.S. Dollar, the Euro, the Japanese Yen, the Swiss Franc, the British Pound, the Australian

Dollar, the New Zealand Dollar, the Canadian Dollar, the Norwegian Krone and the Swedish Krona);

2. in respect of one or more interest periods and/or upon redemption of the Notes on the final maturity date, the amount payable per Note is in an EM Currency or is determined by reference to a currency exchange rate (a "*Reference Exchange Rate*"); and/or

3. the timing of payments, redemption of the Notes and/or any other economic feature, is determined, by reference to one or more EM Currencies or is determined by reference to a Reference Exchange Rate.

Such Notes may also be Basket Linked Notes, Index Linked Notes, Index Linked Interest Notes, FX Linked Notes, Commodity Linked Notes, Floating Rate Notes, Dual Currency Linked Notes, Equity Linked Notes or Debt Security Linked Notes.

The Reference Exchange Rate for a currency pair ("*Currency Pair*") will be the spot exchange rate for a currency (the "*Reference Currency*") against another currency (the "*Base Currency*") and will be expressed as: (i) a number of currency units per unit of the Base Currency; or (ii) as otherwise specified in the applicable Final Terms. A Reference Exchange Rate may be determined: (i) pursuant to a Settlement Rate Option (defined below); (ii) pursuant to an alternative price source determined by the Calculation Agent; (iii) by Calculation Agent determination; or (iv) as otherwise determined in the applicable Final Terms. For the avoidance of doubt, a Reference Exchange Rate may be either a continuously traded spot rate or a discretely determined spot rate, or both as specified in the applicable Final Terms.

The "*Settlement Rate Option*" in respect of a Currency Pair will be the rate source (or combination of rate sources) for that Currency Pair as specified in the applicable Final Terms with such amendments, if any, as shall be set out in the applicable Final Terms or such other rate source as may be specified as such in the applicable Final Terms.

Basket Linked Notes:

Notes issued pursuant to the Program may include Notes ("*Basket Linked Notes*") under the terms of which:

1. in respect of interest accrued during one or more interest periods and/or upon redemption of the Notes, amounts payable are determined by reference to, one or more baskets (each a "*Basket*") each comprised of one or more component values (each a "*Basket Reference Value*"); and/or

2. the timing of payments, redemption of the Notes and/or any other economic feature, is determined, by reference to one or more Baskets.

The value of a Basket (the "*Basket Value*") will be determined in accordance with the applicable Final Terms.

Basket Linked Notes including more than one Basket are referred to as "*Multiple Basket Linked Notes*". Basket Linked Notes may also be Index Linked Notes, Index Linked Interest Notes, FX Linked Notes, Commodity Linked Notes, Floating Rate Notes, Dual Currency Linked Notes, Equity Linked Notes or Debt Security Linked Notes.

A Basket shall comprise of one or more Basket Reference Values, including, but not limited to currency exchange rates (each a "*Reference Exchange Rate*"), commodity reference prices (each a "*Commodity Reference Price*"), equity prices (each an "*Equity Reference Price*"), debt security prices (each a "*Debt Reference Price*"), reference entities (each a "*Reference Entity Price*"), interest rates (each an "*Interest Rate Reference Price*"), index levels (each an "*Index Reference Price*") or any other component value as specified in the applicable Final Terms.

The Basket Value may be determined by reference to the performance of one or more Basket Reference Values as specified in the applicable Final Terms.

For Multiple Basket Linked Notes, the payments of interest and/or redemption amount, the timing of such payments, any redemption of the Notes and/or any other economic feature of such Notes may also be determined by reference to the best performing Basket, the worst performing Basket, the average performance of the Baskets to which the Notes are linked, the top few best or last few worst performing basket, the aggregate of, the difference between or the ratio of the Basket Value for each Basket or by reference to any other formula or any other payment mechanism, each as specified in the applicable Final Terms.

Each Basket Reference Value and/or, in respect of Multiple Basket Linked Notes, each Basket Value, may be ascribed a weighting factor (a "*Weighting*") in order to alter the influence of the performance of that Basket Reference Value or Basket Value (as the case may be). The Weighting of a Basket Reference Value or Basket Value, may be expressed as a percentage, a fraction, a decimal or in such other manner as provided in the Final Terms and may be defined in such a way that it has either an increased or decreased positive or negative influence on the value of the Notes relative to the influence exerted by other Basket Reference Values or Basket Values (as the case may be).

Payments in respect of Basket Linked Notes may additionally be determined by reference to a factor (the "*Leverage*") specified in the applicable Final Terms of such Notes. With respect to such Notes, the degree to which the Basket Value impacts upon the amount of such payments, on the timing of such payments, on the redemption of such Notes or any other economic factor, will vary according to the level of the Leverage.

Range Accrual Notes:

Notes issued pursuant to the Program may include Notes in respect of which, any interest payable for one or more Interest Periods and/or any amount payable on redemption of the Notes (as specified in the applicable Final Terms) is determined by reference to the number of days during a specified period (an "*Observation Period*") that a predetermined event or events (each a "*Fixing Event*") occurs or does not occur (as specified in the applicable Final Terms) as a proportion of the total number of days (each an "*Observation Day*") within such Observation Period (such portion, the "Index Ratio").

The Fixing Event may be, but is not limited to, the value or other function of, one or more indices, formulae, currency exchange rates, rates, commodities, debt securities, equities or other variable or a combination thereof (the "*Observable Rate*"), exceeding and/or equalling and/or being lower than and/or equalling one or more predetermined criteria (the "*Strike*" or "*Strikes*"), as specified in the applicable Final Terms. The Strike may also be defined with reference to the value or other function of, one or more indices, formulae, currency exchange rates, rates, commodities, debt securities, equities or other variable or a combination thereof.

The Fixing Event may be observed on each Observation Date at a specified time or may be continually observed during the Observation Period or may be observed on such other date or time as specified in the applicable Final Terms.

The total number of days during the Observation Period in which the Fixing Event is observed may vary.

Option Notes:

Notes issued pursuant to this Program may include Notes in respect of which, any interest payable for one or more Interest Periods, any amount payable on redemption of the Notes, the timing of payments and/or dates on which the Notes are redeemed and/or any other economic feature of the Notes (as specified in the applicable Final Terms) may be determined by, among other things, (i) reference to one or more prices, values or levels of a reference asset or assets (each a "*Reference Asset*") exceeding and/or equalling and/or being lower than and/or equalling (or any combination thereof) one or more strike values (the "*Strike*") or (ii) reference to the difference between, or the corresponding values of, two or more prices, values or levels of such Reference Assets or (iii) such other formula specified in the applicable Final Terms. Such formula(s) may be referred to as an "*Option*".

The Reference Assets from which the value of the Option may be derived may include one or more indices, formulae, currency exchange rates, rates, commodities, debt securities, equities or other variable, option or combination thereof.

The calculation of the value of the Option may be determined by, among other things, reference to:

1. the price, value or level of the Reference Asset(s) on a date or dates specified in the applicable Final Terms minus the price, value or level of the Strike(s). Should the difference be negative, the value will be floored at zero. Such Option may be referred to as "*Call Option*";

2. the price, value or level of the Strike(s) minus the price, value or level of Reference Asset(s) on a date or dates specified in the applicable Final Terms. Should the difference be negative, the value will be floored at zero. Such Option may be referred to as "*Put Option*"; and/or

3. whether the price, value or level of the Reference Asset exceeds and/or equals and/or is lower than and/or equals one or more predetermined criteria, as specified in the applicable Final Terms.

The prices, values or levels of the Reference Asset and/or the value of the Option may be determined on one or more dates during the term of the Notes.

The Strike may also be determined by reference to the level of one or more Reference Assets or a factor of such level or levels on a date or dates specified in the applicable Final Terms.

Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes:

Autocallable Index-Linked Notes are Notes linked to an index or a basket of indices (each, an "*Index*" and together, the "*Indices*"). Autocallable Equity-Linked Notes are Notes linked to reference equities (each, a "*Share*" and together, the "*Shares*"). Under the terms of such Notes the Notes may redeem early on one or more specific dates at a specific amount per Note (the "*Mandatory Early Redemption Amount*") if an event linked to the performance of the Index or some or all of the Indices, or in the case of Autocallable Equity-Linked Notes some or all of the Shares occurs, as further described in the applicable Final Terms (a "*Mandatory Early Redemption Event*").

In addition, Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes may provide that some or all of the interest or of the principal payable at maturity in respect of them shall be linked to the performance of some or all of the Indices, or in the case of Autocallable Equity-Linked Notes some or all of the Shares.

Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes may be capital protected or not. Autocallable Equity-Linked Notes may redeem in cash or through delivery of Shares ("*Physical Settlement*").

Form of Notes:

Notes of a Series may be issued in either bearer or registered form except that Australian Domestic Notes, Danish Notes, Finnish Notes, New Zealand Domestic Notes, Norwegian Notes and Swedish Notes will be issued in registered, uncertificated and dematerialised book-entry form. Bearer

Notes in global form may be issued either in Classic Global Note Form or in New Global Note Form as specified in the applicable Final Terms. Notes in registered form which are offered and sold outside the United States in reliance on Regulation S will be represented by interests in a global note in registered form (the "*Unrestricted Global Note*"), deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of such common depositary or its nominee or deposited with a custodian for DTC and registered in the name of a nominee for DTC on or about the date of issue of the relevant Tranche.

Notes which are offered and sold in the United States in reliance on Rule 144A will be represented by interests in a global note (the "*Restricted Global Note*") or notes (the "*Restricted Global Notes*") in registered form, deposited with a custodian for and registered in the name of a nominee of DTC on or about the date of issue of the relevant Tranche. Interests in the global Notes in registered form will be shown on, and transfers thereof will be effected only through, records maintained by DTC and/or Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Denomination of Notes:

Subject to compliance with the Prospectus Directive and all applicable legal and/or regulatory and/or central bank requirements, Notes may be issued in any denomination, subject to:

(a) in the case of Notes to be admitted to trading on a regulated market and/or publicly offered in an EEA Member State, the minimum denomination of the Notes will be:

(1) where the Issuer of the Notes is LBB, at least EUR 50,000 (or nearly equivalent in any other currency on the issue date); and

(2) in all other cases, at least EUR 1,000 (or nearly equivalent in any other currency on the issue date) or the Notes will give the right to acquire transferable securities (provided, however, that in the case of equity securities of U.S. issuers, such equity securities will not include "restricted securities" within the meaning of Rule 144 under the Securities Act) or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the underlying securities is not the relevant Issuer or another entity belonging to the Lehman Brothers group; and

(b) in the case of Notes issued by LBHI and having a maturity of 183 days or less, the minimum denomination of such Notes will be at least U.S.$500,000 or its equivalent).

Redemption:	Redemption for taxation reasons or as may be specified in the relevant Final Terms.
Taxation:	Payments of principal, and premium, if any, and interest, if any, on the Notes will be made without deduction for or on account of United States, the United Kingdom, The Netherlands or the Federal Republic of Germany (or any other country in which such payments are regarded as being sourced) withholding taxes, save as required by law. In that event, the Issuer will, subject to certain exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such deduction been required.
Status of the Senior Notes and Senior Guarantees; Negative Pledge:	The Senior Notes and the Senior Guarantees will constitute direct, unconditional and unsecured obligations of the relevant Issuer and Guarantor, respectively, and will rank *pari passu* in right of payment among themselves, and equally with all other unsecured and unsubordinated obligations of such Issuer and the Guarantor, respectively. The Senior Notes and the Senior Guarantees will have the benefit of a negative pledge.
Status of the Subordinated Notes and Subordinated Guarantees:	Subordinated Notes and Subordinated Guarantees will constitute direct, unsecured and subordinated obligations of the relevant Issuer and the Guarantor, respectively, and will rank *pari passu* among themselves and pari passu with all other present and future unsecured, unconditional and subordinated indebtedness of such Issuer and the Guarantor, respectively.
Listing and Trading:	Applications have been or will be made for Notes to be admitted during the period of twelve months after the date hereof to the Official List of the Irish Stock Exchange and to trading on its regulated market, to trading on the Alternative Securities Market of the Irish Stock Exchange and/or to the Official List of the Singapore Stock Exchange. The Program also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the relevant Final Terms. Australian Domestic Notes may be listed on the Australian Stock Exchange.
Final Terms or Drawdown Prospectus:	Notes issued under the Program may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus (each, a "*Drawdown Prospectus*") prepared in connection with a particular Tranche of Notes. For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this

	Base Prospectus and must be read in conjunction with this Base Prospectus and any subsequently published supplement to this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.
	The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to the relevant or applicable Final Terms shall be read and construed as a reference to the relevant or applicable Drawdown Prospectus.
Selling Restrictions:	Each Dealer and each purchaser of Notes must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes or distribute this Base Prospectus or any offering material in relation to Notes.
	The Base Prospectus contains a summary of certain selling restrictions in the United States, the European Economic Area, the United Kingdom, Italy, Japan, The Netherlands, Australia, New Zealand and Singapore. These are set out in more detail on pages 265 to 273 of this Base Prospectus.
Governing Law:	The Notes (save for Australian Domestic Notes and New Zealand Domestic Notes) will be governed by English law. Australian Domestic Notes and New Zealand Domestic Notes will be governed by the laws of New South Wales, Australia. Guarantees will be governed by the laws of the State of New York.
Risk Factors:	There are certain risks related to any issue of Notes under the Program which investors should ensure they fully understand. Additionally, Lehman Brothers' financial condition and results of operations may be affected by uncertain or unfavourable economic, market, legal and other conditions. These conditions include but are not limited to market and competitive risk, changes in investor sentiment, liquidity risk, changes to credit ratings, credit exposure and operational risk and legal regulatory risk. These risks are set out in more detail on pages 20 to 43 of this Base Prospectus.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should conduct their own thorough analysis (including their own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes. In addition, prospective investors should consider, among other things, the following:

The Issuers believe that the factors described below present the principal risks inherent in investing in the Notes issued under the Program, but the inability of the relevant Issuer to pay interest or principal on or in connection with any Notes may occur for other reasons and none of the Issuers represents that the statements below regarding the risks of holding any Notes is exhaustive.

Risks Relating to the Notes

There is no active trading market for the Notes

Notes issued under the Program will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon, amongst other factors, currency exchange rates, prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer. Although application has been made for the Notes issued under the Program to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on its regulated market (within the scope of Directive 2004/39/EC on Markets in Financial Instruments), there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Issue Price may not be an accurate reflection of the market value of the Notes

The Issue Price in respect of the Notes may not be an accurate reflection of the market value of the Notes. The Issue Price in respect of the Notes may take into account, among other things, the distribution fee payable to any appointed distributor of the Notes with respect to the offer and sale of the Notes. In addition, the price at which the Notes may be sold in secondary market transactions may be lower than the Issue Price.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the relevant Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States, The Netherlands, the Federal Republic of Germany, the United Kingdom or any other country in which such payments are regarded as being sourced, as the case may be, or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the relevant Issuer's option in certain other circumstances the relevant Issuer may choose to redeem the Notes for instance at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Repayment of principal may be at risk and may be substantially less than the amount originally invested

The terms of the Notes may specify a minimum amount payable in respect of the redemption of such Notes at maturity (the "*Capital Protection*"). The level of Capital Protection may be expressly stated as a percentage of the nominal amount of each such Note at issuance or may be inherent in the formula or formulae for determining the amount payable on the redemption of such Notes.

Where there is no Capital Protection, or where the level of Capital Protection is less than 100 per cent. of the nominal amount of each such Note at issuance, the amount payable upon redemption of such Notes may be significantly less than the amount originally invested and in certain circumstances may be nil.

Where there is Capital Protection of 100 per cent. or more, investors should however be aware that capital protection applies only if the holder of Notes (a "*Noteholder*") holds the Notes until the Maturity Date and that repayment at maturity depends on the creditworthiness of the Issuer and the Guarantor.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer

Notes issued under the Program may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the relevant Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Some Notes are subordinated to most of the relevant Issuer's liabilities

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are subordinated obligations of the relevant Issuer and that Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, such Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.

Loss of Investment

If, in the case of any particular Tranche of Notes, the relevant Final Terms do not specify that the Notes are wholly principal protected, there is a risk that any investor may lose the value of their entire investment or part of it and that the Notes may trade significantly below their issue price at any time prior to redemption.

Some Notes are subject to risks associated with foreign exchange rates, particularly where an emerging market currency is involved

The performance of an investment in certain Notes may be affected either because the Notes are denominated in a currency other than the investor's '*home-currency*', or because the amount payable will be affected by a foreign exchange rate. This may affect interest as well as principal payments (as applicable) under the terms of some Notes. Any variation in the exchange rates is based on a number of interrelated factors, including economic, financial and political events that Lehman Brothers cannot control. The exchange rates, which depend on the supply and demand for the relevant currencies, may be affected by political, economic, legal, accounting and tax matters specific to the countries in which such currencies are circulated as legal tender. These matters include, among other things, the possibility that exchange controls with respect to the currencies could be imposed or modified. Such value also varies with market expectations as to future exchange rates and other current and anticipated conditions. The effects of any of these factors may be particularly pronounced when one of the currencies is an emerging market currency or other currency (each an "*EM Currency*"). EM Currencies are often less liquid than, for instance, G-10 Currencies. In addition, the exchange rates may be affected by the operation of, and the fact that persons and entities (including Lehman Brothers) will be trading currencies on, interbank and interdealer foreign exchange markets in the United States, Europe and elsewhere. For the purposes of this risk factor, "*G-10 Currencies*" means the U.S. Dollar, the Euro, the Japanese Yen, the Swiss Franc, the British Pound, the Australian Dollar, the New Zealand Dollar, the Canadian Dollar, the Norwegian Krone and the Swedish Krona.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features and the risks associated with them:

Fixed Rate Notes and Zero Coupon Notes

Investment in Fixed Rate Notes and Zero Coupon Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Index Linked Notes, Dual Currency Notes and Notes linked to Swap Rates, interest, formula or other underlying

The Issuers may issue Notes with principal or interest determined by reference to interest or swap rates or an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "*Relevant Factor*"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

(i) the market price of such Notes may be very volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Investing in Notes is not the same as investing in a Relevant Factor

Prospective investors should be aware that the market value of the Notes may not have a direct relationship with the prevailing level of any Relevant Factor or price of any component assets of a Relevant Factor, in that changes in the level of any such Relevant Factor or market price of any such component assets will not necessarily result in a comparable change in the market value of the Notes.

Prospective investors should also note that dividends paid to holders of any such component asset will not be paid to the Issuer or to the Noteholders and will not, unless such component asset is comprised in an Index which is a "Total Return Index", be reflected in the level of the applicable Relevant Factor. The return on the Notes will thus generally not reflect any dividends or other income that would be paid to investors that have made a direct investment in the relevant component asset. Consequently, the return on the Notes may be less than the return from a direct investment in the component assets comprising each Relevant Factor.

Historical levels of a Relevant Factor should not be taken as an indication of the future performance of such Relevant Factor during the term of the Notes

The Final Terms may contain historical levels of a Relevant Factor for information purposes. The actual performance of such Relevant Factor over the term of the Notes may bear little relation to the historical levels of the Relevant Factor. Fluctuations in the performance of a Relevant Factor make the amount payable at maturity or upon redemption difficult to predict.

Risk-excluding or risk-limiting transactions

Prospective investors may not rely upon being able to enter into transactions which may exclude or limit loss exposure to the Notes during the term of the Notes. The possibility of entering into risk-excluding or risk-limiting transactions depends in particular on market conditions and the relevant underlying circumstances. Noteholders may be able to enter into such transactions only at an unfavourable market price resulting in an additional loss for such Noteholders.

Prospective investors intending to purchase Notes to hedge the market risk associated with investing in any Relevant Factor or any component asset of a Relevant Factor should be aware of the difficulties associated therewith. For example, the value of the Notes may not exactly correlate with the value of the component assets comprised in such Relevant Factor.

Adjustments of the terms of Index-Linked Notes or Equity-Linked Notes and Cancellation of Index-Linked or Equity-Linked Notes upon the occurrence of certain events relating to any Index or Shares

The Calculation Agent has certain discretions to determine whether certain events, as set out in Annex 7 (*Additional Terms and Conditions for Index-Linked Notes*) and Annex 8 (*Additional Terms and Conditions for Equity-Linked Notes*) below, have occurred, and the consequences thereof.

For example, the Calculation Agent may determine that a market disruption in respect of any Index or the Shares of any Share Issuer has occurred or exists at a relevant time or that an adjustment to the terms and conditions of the Notes is required following the occurrence of a correction of the level of an Index or of any corporate action in respect of any Shares. Any such determination may have an adverse impact on the value of the Notes.

In addition, in certain circumstances, the Issuer may be entitled to cancel the Notes and, if permitted by applicable law, pay each Noteholder an amount as determined by the Calculation Agent in its sole and absolute discretion by reference to the fair market value of the Notes less the costs incurred by the Issuer in unwinding any related hedging arrangements. Prospective investors should note that such amount may be

less than the Issue Price of the Notes or the amount required to be paid for acquiring the Notes, and may even be nil.

Prospective investors should note that any discretion exercised by, or any determination made by the Calculation Agent shall (in the absence of manifest error) be binding.

Replacement of any Index

Any Index may be replaced by a successor index in certain circumstances as set out in Annex 7 (*Additional Terms and Conditions for Index-Linked Notes*) and the performance of that successor index over time may be different from the performance of the relevant Index.

Substitution of the Shares in a Share Basket

The Calculation Agent may replace the Shares of any Share Issuer by other shares as a consequence of any one or more Extraordinary Events. Such replacement shares will, to the extent practicable, be selected from the same industry, be denominated in the same currency and have a similar market capitalisation to the relevant replaced Shares. Such substitution may have an adverse impact on the value of the Notes. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding.

Repayment of principal may be at risk and may be substantially less than the amount originally invested

The terms of Index-Linked Notes and Equity-Linked Notes may be capital protected upon the occurrence of a Mandatory Early Redemption Event and/or at maturity. The level of Capital Protection may be expressly stated as a percentage of the nominal amount of each such Note at issuance or may be inherent in the formula or formulae for determining the amount payable on the redemption of such Notes. Where there is no Capital Protection, or where the level of Capital Protection is less than 100 per cent. of the nominal amount of each such Note at issuance, the amount payable upon redemption of such Notes may be significantly less than the amount originally invested and in certain circumstances may be nil.

Principal risks related to Physical Settlement

In the event that Physical Settlement applies (as provided in the applicable Final Terms), the value of the Shares to be delivered as described herein may be less than the value of such Shares as of the issue date of the Notes, and may in fact be nil. An investor may thus sustain a total loss of the amounts invested in the Notes. In addition, if a Settlement Disruption Event occurs in respect of the Maturity Date, settlement may be indefinitely postponed if delivery of the relevant Shares cannot be effected in a commercially reasonable manner. The occurrence of such postponement may have an adverse effect on the value of an investment in the Notes.

Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes

With respect to Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes, generally, where no specific Capital Protection is specified in the applicable Final Terms, or where such Capital Protection is specified to be less than 100 per cent. of the nominal amount of each Note, the return of capital at maturity will only be protected so long as the Final Level (or in the case of an Index Basket, the relevant Final Level), or in the case of Autocallable Equity-Linked Notes the Final Price, is not, as specified in the applicable Final Terms, either (i) less than or (ii) equal to or less than either (a) the Strike Level or, where applicable, the product of such Strike Level, or in the case of Autocallable Equity-Linked Notes the Strike Price, and (b) either the Barrier Percentage or the Strike Level Adjustment Percentage, or in the case of Autocallable Equity-Linked Notes the Strike Price Adjustment Percentage. If such Final Level, or in the case of Autocallable Equity-Linked Notes the Final Price, is less than any such percentage, an investment in the Notes will be exposed to the negative performance of the relevant Index, or in the case of Autocallable Equity-Linked Notes relevant Shares, and consequently the Final Redemption Amount, or in the case of physically settled Autocallable Equity-Linked Notes the cash equivalent value of any Physical Settlement

Amount, will be less than the amount originally invested in the Notes. Where a Barrier Percentage or Strike Level Adjustment Percentage, or in the case of Autocallable Equity-Linked Notes Strike Price Adjustment Percentage, is specified in the applicable Final Terms, prospective investors should understand that the higher any such Barrier Percentage or Strike Level Adjustment Percentage, or Strike Price Adjustment Percentage, as the case may be, is, the more repayment of principal at maturity will be at risk.

Autocallable Index-Linked Notes and Autocallable Equity-Linked Notes will be automatically redeemed prior to the Maturity Date if a Mandatory Early Redemption Event occurs. The Mandatory Early Redemption Amount payable upon the occurrence of a Mandatory Early Redemption Event may be significantly less than the amount originally invested and in certain circumstances may be zero. In addition, a Noteholder may not be able to reinvest the redemption proceeds in a comparable security and receive a return on investment which is as high as that of the Notes. The Issuer is not liable for any disadvantage a Noteholder may incur in respect of the new investment or non-investment of its capital.

In the case of Notes linked to either an Index Basket or a Share Basket with a "worst of" feature, because the amount to be repaid at maturity of such Autocallable Index-Linked Notes is not dependant on the average level of each Index, or in the case of such Autocallable Equity-Linked Notes on the average value of the Shares, but rather on the performance of the Worst Performing Index, or in the case of such Autocallable Equity-Linked Notes of the Worst Performing Shares, it is likely that the value of the Notes will be correlated to the performance of such Worst Performing Index, or in the case of Autocallable Equity-Linked Notes of the Worst Performing Shares. In addition, a specific event affecting any one Index, or in the case of Autocallable Equity-Linked Notes the Shares of any one Share Issuer, could have an adverse effect on the value of the Notes. For example, if a Trigger Event is specified in the applicable Final Terms, the occurrence of such event in relation to any one Index (which may or may not be the Worst Performing Index), or in the case of Autocallable Equity-Linked Notes in relation to the Shares of any one of the Share Issuers (which may or may not be the Worst Performing Share), is likely to affect negatively the value of the Notes since it would make it more likely that the Notes are redeemed at an amount which is less than the amount originally invested in the Notes.

Partly-paid Notes

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Notes with a multiplier, other leverage factor, caps, floors or other options

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may

be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Inflation-Linked Notes

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the Index may result in a reduction in the interest payable on the Notes or, in the case of Notes with a redemption amount linked to inflation, in a reduction in the amount payable on redemption which in some cases could result in Noteholders receiving back less than the amount originally invested.

The seasonal nature of an Index may result in higher or lower inflation rates being observed for any sub-period than the rate in relation to any particular Interest Period.

An Index to which interest payments and/or the redemption amount of Inflation-Linked Notes are linked is only one measure of inflation for the relevant jurisdiction, and such Index may not correlate perfectly with the rate of inflation experienced by residents in such jurisdiction.

Interest Payments and/or the redemption amount of Inflation-Linked Notes may be based on a calculation made by reference to the inflation rate for a period which has no relation to the date of payment on the Notes and therefore could be substantially different from the level of inflation at the time of the payment of interest or, as the case may be, principal on the Notes.

Quanto Notes

The market value of the Notes will be affected by, among other things, the rate of interest payable in each Interest Period and/or the amount payable on redemption. The principal risk associated with Quanto Notes is that the rate of interest that is payable on the Notes is lower than the rate of interest usually payable in relation to the Quanto Currency.

By way of an example, the interest amount on a Quanto Note may be paid in Euro but be calculated by adding 0.25 per cent. of the nominal amount of such Note to USD-LIBOR with a designated maturity of 3 months. In this example, the Quanto Currency is Euro and the Reference Currency is United States Dollars and any increase in interest rates in respect of the Quanto Currency will not result in a corresponding increase in the rate of interest payable for an Interest Period in respect of the Notes.

The above analysis sets out just one example of how Quanto Notes may operate and the risks associated with such circumstances. It is not intended to be an exhaustive list of risks associated with Quanto Notes and additional risk factors may be associated with different coupon structures of Quanto Notes.

Variable Cap Notes

The market value of Variable Cap Notes will be affected by, among other things, the amount of interest payable in each Interest Period in comparison to the prevailing rates of interest available on other investments in the market at the time in question. The rate of interest payable on Variable Cap Notes is subject to a variable maximum rate of interest (a "*Variable Cap*") as specified in the Final Terms. The Variable Cap may be determined by reference to any rate, currency, security, index, formula or other factor (each a "*Variable Cap Factor*"), or any combination of such Variable Cap Factors. In the event that the Variable Cap for an

Interest Period is close to or equal to zero, the rate of interest applicable in respect of the relevant Interest Period will be close to or equal to zero (unless any minimum rate of interest has been specified in the applicable Final Terms and applies, in which event the rate of interest applicable in respect of the relevant Interest Period will equal that minimum rate of interest) and the value of the Variable Cap Notes will be effected commensurately.

In addition, the Variable Cap may fluctuate independently of any fluctuation in the interest rate which would have been payable on the Notes if there had not been a Variable Cap and this may have a detrimental or positive effect on the market value of the Variable Cap Notes.

If a Variable Cap contains a leverage factor, the effects of changes in the Variable Cap on interest payable (and therefore the impact on the value of the Variable Cap Notes) is likely to be magnified.

Steepener Notes

The market value of Steepener Notes will be affected by, among other things, the amount of interest payable in each Interest Period. The rate of interest on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the "*First Swap Rate*") exceeds another designated swap rate (the "*Second Swap Rate*") and multiplying that amount by the factor (the "*Leverage Factor*") (all as specified in the applicable Final Terms), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant Leverage Factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an Interest Period, the rate of interest on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Final Terms and applies, will equal that minimum rate of interest.

Path-Dependent Notes

The market value of any Notes is affected by, among other things, the rate of interest payable on such Notes. The rate of interest payable on the Path-Dependent Notes in respect of an Interest Period will affect the rate of interest payable in respect of one or more subsequent Interest Periods. If the rate of interest payable on the Notes in respect of any Interest Period has a negative impact on the rate of interest payable in respect of subsequent Interest Periods, this will have a negative effect on the market value of the Path-Dependent Notes. Hence the market value of such Notes will be considerably more volatile than comparable Notes where the rate of interest for any Interest Period is determined independently from those other Interest Periods.

By way of an example, the rate of interest on Path-Dependent Notes may be calculated by using a formula as shall be specified in the applicable Final Terms. Such formula may be similar to any of the formulae in A, B or C below or as otherwise specified in the applicable Final Terms:

(A) Previous Rate + Y * (X – 6m EURIBOR); or

(B) Previous Rate + Y * (6m EURIBOR – X); or

(C) 6m EURIBOR + X subject to a maximum rate of interest of the Previous Rate +Y

Where:

"X" and "Y" are constants; and

"6m EURIBOR" means, in respect of any Interest Period, the rate for deposits in Euro for a period of six months which appears on Reuters Page EURIBOR01 (or any successor or replacement page) as of 11.00 a.m. Brussels time on the date specified in the applicable Final Terms.

The analysis below sets out just some of the risks associated with Path-Dependent Notes with a rate of interest calculated in respect of an Interest Period in accordance with the formulae specified in A, B or C above. It is not intended to be an exhaustive list and other risk factors may be associated with these and different coupon structures for which reference should be made to other relevant risk disclosures contained herein.

In example (A) above, the rate of interest payable on the Path-Dependent Notes is inversely correlated to the direction of 6m EURIBOR. If, in relation to any Interest Period, 6m EURIBOR increases, the rate of interest in respect of such Interest Period will decrease. Since the rate of interest for such Interest Period then forms the basis for determining the rate of interest for the subsequent Interest Period, this decrease will also have a detrimental effect on the rate of interest in respect of the subsequent Interest Periods. This, in turn, will have a negative impact on the market value of the Notes which will be leveraged compared to Notes with a comparable rate of interest but which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

In example (B) above, the rate of interest payable on the Path-Dependent Notes is positively correlated to the direction of 6m EURIBOR. If, in relation to an Interest Period, 6m EURIBOR decreases, the rate of interest in respect of such Interest Period will also decrease. As in the case of example (A), since the rate of interest for such Interest Period then forms the basis for determining the rate of interest for the subsequent Interest Period, this decrease will also have a detrimental effect on the rate of interest in respect of the subsequent Interest Periods. This, in turn, will have a negative impact on the market value of the Path-Dependent Notes which are leveraged compared to Notes which pay a rate of interest which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

In example (C) above, the rate of interest payable on the Path-Dependent Notes is subject to a variable maximum rate of interest (or cap) which is calculated by reference to the interest rate payable in respect of the preceding Interest Period. In such circumstances if 6m EURIBOR increases following any Interest Period, the rate of interest payable in respect of that Interest Period may cap the rate of interest in respect of the subsequent Interest Periods at a rate lower than that which would have been applicable to those subsequent Interest Periods had the rate of interest not been capped, which will have a negative effect on the maximum rate of interest payable in respect of each subsequent Interest Period. This means that a lower rate of interest for one Interest Period will have a detrimental effect on the market value of the Notes where 6m EURIBOR subsequently increases. Such effect will be leveraged compared to Notes which pay a rate of interest which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

Range Accrual Notes

The indices, formulae, currency exchange rates, rates and other factors or combination thereof used to determine the Fixing Event and, consequently, the Index Ratio for Range Accrual Notes may be different from the Reference Rate for such Notes and may therefore fluctuate independently of such rate. This may result in the market value of the Notes falling even when the Reference Rate in respect of an Interest Period is rising. If, during the relevant Observation Period, the Fixing Event occurs only on a small number of days or does not occur at all, the Index Ratio may be very low or, as the case may be, zero and, as a result, the rate of interest payable on the Notes in respect of such Interest Period may be very low, or, as the case may be, zero (save for any minimum rate of interest specified in the applicable Final Terms). This will have a detrimental effect on the market value of the Notes.

Where the Observation Days fall in a different chronological period from the Interest Period, the indices, formulae, currency exchange rates, rates or combination thereof which were used to determine the Index Ratio may be different from those which prevail at the time at which the interest amount is being paid. This may have a detrimental effect on the market value of the Notes.

For example, the rate of interest for each Interest Period for a Range Accrual Note may be calculated by multiplying the Reference Rate by the Index Ratio for one specified Observation Period. If the Index Ratio determined by the Calculation Agent is contingent upon the number of days in the Observation Period on which USD LIBOR with a designated maturity of 6 months ("*6m USD LIBOR*") falls within a range of

values set out in the relevant Final Terms and during that Observation Period the number of days in which 6m USD LIBOR is within such range is low (for example, 5 days in an Observation Period of 30 days, giving an Index Ratio equal to 5/30), then the rate of interest payable for each Interest Period in relation to such Note will be calculated by reference to such Index Ratio and any change in 6m USD LIBOR will not affect the Index Ratio in subsequent Interest Periods. In such circumstances, the rate of interest payable in respect of all Interest Periods and the market value of the Notes will be detrimentally affected in a material and significant way.

Switchable Notes

The rate of interest payable in respect of Switchable Notes may change adversely when a Switch Event occurs. Where the number of Switch Options available to the Switch Option Holder is limited, once the Switch Option Holder exercises the final Switch Option the rate of interest payable may convert into a rate that is below the rate that would have been payable had the Switch Option not been exercised and the initial rate of interest remained. Such rate may, in some instances, be as low as zero until the stated Maturity Date. This may result in the market value of the Switchable Notes falling even where the rate of interest payable prior to the relevant Switch Event is rising. Therefore, the performance of Switchable Notes is highly dependant on the actions of the Switch Option Holder which, in the case of the Issuer and/or a third party, may be a person or entity that has no obligation to act in the best interest of the Noteholders.

By way of example, the Switch Option Holder may exercise its Switch Option on the Exercise Date which results in the rate of interest payable for an Interest Period converting from a rate of interest equal to 6.00 per cent. annum of the nominal amount of the Notes to a rate of interest equal to EURIBOR with a designated maturity of 12 months ("*12m EURIBOR*") plus 0.50% of the nominal amount of the Notes. In this instance if 12m EURIBOR is at a low rate (for example, 2.00 per cent.) then the coupon payable in respect of the relevant Interest Period would switch from 6.00 per cent. to 12m EURIBOR + 0.50%, or 2.50%. If 12m EURIBOR remained at this rate for the remainder of the term of the Notes and the Switch Option Holder was not permitted under the terms of the Notes to switch the rate of interest payable back to the fixed rate previously payable or another rate of interest, all future interest payments would be significantly less than would have been payable had the Switch Option not been exercised. This lower rate of interest for the remainder of the term of the Notes will have a detrimental effect on the market value of the Notes. The above analysis is one example of the operation of Switchable Notes. For other Switchable Notes the rate of interest payable may switch between fixed and/or floating and/or Index-Linked and/or any combination thereof. This example is not intended to be exhaustive.

Where the Switch Option may be exercised at the option of the Issuer and/or a third party only, it may be more likely that a Switch Event occurs during a period in which the rate of interest payable to the Noteholder is increasing and where the resulting rate of interest payable following a Switch Event is lower than that which would have been payable had the Switch Event not occurred.

Target Redemption Notes

The automatic redemption feature of Target Redemption Notes may limit the market value of the Notes. Hence, even in a favourable market/interest environment their market value may not rise substantially above the price at which they are redeemed.

The automatic redemption may take place when the investor would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Target Redemption Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

For example, consider Notes issued under a Final Terms that specify that the Target Interest Amount is 20 per cent. of the nominal value of the Notes, that any interest calculated in excess of the Target Interest Amount will be reduced so that the Aggregate Interest Amount equals the Target Interest Amount, and that upon maturity any interest calculated for the final Interest Period may be increased so that the Aggregate Interest Amount equals the Target Interest Amount.

If on an Interest Determination Date:

(a) the Aggregate Interest Amount as at the end of the previous Interest Period is equal to 18 per cent. of the nominal amount and the amount of interest determined to be payable in respect of the current Interest Period (save for the application of the target redemption feature) is 8 per cent. of the nominal amount, then due to the target redemption feature, the amount of interest payable would be reduced to 2 per cent. (being the Target Interest Amount less the Aggregate Interest Amount);

(b) the Aggregate Interest Amount is equal to 10 per cent. of the nominal amount and the amount of interest determined to be payable in respect of the final Interest Period is 8 per cent. of the nominal amount, then due to the target redemption feature, the amount of interest payable would be increased to 10 per cent. (being the Target Interest Amount less the Aggregate Interest Amount).

In both of the above examples the Notes will redeem at an amount specified in the applicable Final Terms. The above analysis sets out just two examples of how the early redemption mechanism may operate for Target Redemption Notes and the risks associated with such circumstances. It is not intended to be an exhaustive list of the risks associated with Target Redemption Notes and additional risk factors may be associated with these and different redemption structures.

Commodity-Linked Notes

The prices of commodities may be subject to significant fluctuations. The prices of commodities may be volatile and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The price of commodities may also fluctuate substantially if a conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of a Note is linked to the price of a Commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount of interest payable may result, in some cases, in no interest being payable on the Notes. The reduction in the amount payable on the redemption of the Notes may result, in the case of Notes which are not principal protected, in a Noteholder receiving a smaller sum on redemption of a Note than the amount originally invested in such Note and could potentially result in the complete loss of capital. In the case of Notes where the redemption date changes based on the price of one or more commodities, any change in the price of such commodity could also result in significant change in the redemption date of the Notes.

FX Notes

Additional risk factors applicable to FX Notes (which may be more pronounced where the Reference Currency or Base Currency is an EM Currency) include:

- risks of partial or complete loss of principal, subject to the level of principal protection (if any) specified in the Final Terms
- risks of receiving no, or only low, payments of interest and/or payments on redemption as a result of exchange rate movements and/or (in the case of FX Notes) any condition to payment not being satisfied
- payments of interest and/or on redemption being based on exchange rate values as of specified dates only, with exchange rate values as of other dates not being taken into account
- Noteholders being entitled to receive payments in a specified currency only, and having no entitlement to receive the Reference Currency
- risks of the introduction of exchange controls and/or other developments and conditions affecting the currency markets resulting in determinations of the Reference Exchange Rate on unscheduled valuation dates and/or determinations of the Settlement Rate by reference to

alternative price sources and/or on a discretionary basis by the Calculation Agent and/or at a different time than would otherwise be the case and/or alternative settlement procedures including postponement of settlement until the cessation of any effect of the relevant developments and conditions

- the right of the Issuer to appoint the Calculation Agent
- the risk that the trading price of the Notes will fluctuate over time and may remain at levels significantly below that at which the Notes were originally issued, due to factors (including supply and demand for the Notes, the value of the Reference Currency and other factors) which may interrelate in complex ways
- risk of variations in exchange rates for the Reference Currency (which may result from, or from the interaction of, many factors) affecting the market value of the Notes and/or that on a sale of the Notes an investor may receive less than the amount invested
- risks that the market value of the Notes may be detrimentally affected by factors affecting the liquidity, trading value and amount payable under the Notes, including:
  - increased volatilities of exchange rates; and/or
  - actions of sovereign governments that could change or interfere with currency valuations, fluctuations in response to other market forces and the movement of currencies across borders; and/or
  - changes in interest rates; and/or
  - the effect of the time remaining to maturity decreasing on the "time premium or discount" factor; and/or
  - hedging, trading and other transactions by Lehman Brothers through any of its affiliates affecting the exchange rates for any or all of the Reference Currency.

Basket Linked Notes

Additional risk factors applicable to Basket Linked Notes (which may be more pronounced where the formula for determining payments linked to Basket Value includes a leverage factor exceeding 100%) include:

- risks of partial or complete loss of principal, subject to the level of principal protection (if any) specified in the Final Terms
- risks of receiving no or low or reduced payments under the Notes as a result of movements in the Basket Reference Values and/or (in the case of 6 Basket Digital Notes (as defined below)), any condition to payment not being satisfied
- risks of favourable movements in a Basket Reference Value and/or in respect of Multiple Basket Linked Notes, a Basket Value, being offset by unfavourable movements in other Basket Reference Values or Basket Values (as the case may be)
- payments of interest and/or on redemption and/or the timing of such payments or redemption or any other economic factor being based on the Basket Reference Value levels as of specified dates only, with Basket Reference Value levels as of other dates not being taken into account
- Noteholders being entitled to receive payments in a specified currency only, and having no entitlement to receive delivery of, or any interest in, the Basket Reference Values
- the right of the Issuer to appoint the Calculation Agent (who may be an affiliate of the Issuer)

- the risk that the trading price of the Notes will fluctuate over time and may remain at levels significantly below that at which the Notes were originally issued, due to factors (including supply and demand for the Notes, the value of each Basket Reference Value and other factors) which may interrelate in complex ways
- risk of variations in Basket Reference Values (which may result from, or from the interaction of, many factors) affecting the market value of the Notes and/or that on a sale of the Notes an investor may receive less than the amount invested
- risk of Basket Value of Basket Linked Note and Multiple Basket Linked Notes, as the case may be, being affected by the Basket Reference Values which are of the same class of underlyings or for which the weighting assigned to a particular Basket Reference Value is higher than for other Basket Reference Values. Additionally, if the Basket Reference Values of the underlyings included is concentrated in a particular industry, the Basket Value will be more affected by the economic, financial and other factors affecting that industry than if the Basket Reference Values were comprised of underlyings in various industries.

Trigger Notes

The rate of interest payable in respect of Trigger Notes may change adversely when a Trigger Event occurs. Furthermore, the occurrence of a Trigger Event on a Trigger Date or during a Trigger Period may cause the rate of interest payable to convert into a rate that is below the rate which would have been payable had the initial rate of interest remained and may, in some instances, be as low as zero until the stated Maturity Date. This may result in the market value of the Trigger Notes falling even when the original rate of interest which is stated to be payable in respect of an Interest Period is rising.

Trigger Events may cause the rate of interest payable in respect of Trigger Notes to fall substantially even if such Trigger Events were caused by temporary market occurrences. The performance of Trigger Notes is highly dependant on the movements of the Trigger Indices over the periods around the Trigger Dates or during the Trigger Period, regardless of whether these movements represent long-term trends or not.

Trigger Notes may be structured so that a Trigger Event will occur during a period in which the rate of interest payable to the Noteholder is increasing and where the resulting rate of interest payable following a Trigger Event will be lower than that which would have been payable had the Trigger Event not occurred.

Option Notes

Where the Notes are linked to a Call Option and the Strike is set at the beginning of the term of the Notes (for example, on the Issue Date), any decrease in the level of the Reference Asset subsequent to that date will have a detrimental effect on the market value of the Notes and if the level of such Reference Asset falls below the level of the Strike, the amount payable on such Note may be reduced to zero. Conversely, the market value of Notes that are linked to a Put Option will decrease where the level of each Reference Asset increases relative to the level of the Strike over the term of the Notes.

Fluctuations in the value of the relevant Reference Asset will affect the value of the Notes. The risk of the loss of some or all of the amount payable on redemption means that, in order to recover and realise a return upon his/her investment, a purchaser of the Note must generally have correctly anticipated the direction, timing and magnitude of an anticipated change in the value of the Reference Asset.

The Strike or Strikes of an Option may be determined on a predetermined date or dates as specified in applicable Final Terms. The Strike may be calculated as the arithmetic or geometric average of the level of the Strike determined on each day during a specified period of days during the term of the Notes or may not be reflective of any actually realized or anticipated level of the trading level of the Reference Asset. If the Option is a Call Option and the Strike is determined as the mean of the levels of the Strike, any increase in such level over the dates or during the period during which the Strike is monitored will result in a decrease in the value of the Option. This may have a detrimental effect on the market value of the Notes. The Strike may be set significantly higher or lower than current trading levels of the Reference Asset.

The date on which the price, value or level of the Reference Asset is determined may be determined in a different period from the date on which amounts are paid under the Notes. Thus, the price, value or level of each Reference Asset which is used to determine the value of the Option may be different from such value, price or level at the time at which the relevant amount is being paid. This may have a detrimental effect on the market value of the Notes.

In relation to Option Notes with a digital payment, the payment of any interest and/or amounts on redemption which depends on the value of the Option will be conditional upon the Option meeting, exceeding or falling short of one or more criteria specified in the applicable Final Terms. Such criteria may include a requirement that the value of the Option must exceed a benchmark value by a specified threshold. With respect to such Notes, no such interest and/or Final Redemption Amount will be payable unless such condition is met on the relevant date specified in the applicable Final Terms.

Where payments in respect of Option Notes are additionally determined by reference to a leverage, scaling or multiplication factor (the "*Leverage*"), the degree to which the Reference Exchange Rate impacts upon the amount of such payments will vary according to the level of such Leverage.

The value of the Option or the difference in the value of the Reference Asset and the Strike Price at any time prior to maturity may be reflective of the trading price of such Note at that time. The difference between the trading price of the Note and the value of the Option will reflect, among other things, a "time value" for the Note. Such Notes pose risks with regard to time value. The time value of the Note varies with the price and/or level of the Reference Asset, as well as by a number of other interrelated factors, including the length of the period remaining to maturity (or the date on which the value of the Option is determined) and expectations concerning the value of the Reference Asset.

If further Notes relating to a particular Reference Asset are subsequently issued the supply of such Series of Notes in the market may increase, which may cause the price at which the Notes trade in the secondary market to decline.

The market value of the Notes may not have a direct relationship with the prevailing price of the Reference Asset, in that changes in the prevailing price, level or value of the Reference Asset will not necessarily result in a comparable change in the market value of the Notes.

Hybrid Notes

Notes issued pursuant to the Program may include Notes that combine features of different types of Notes described herein, for example, by combining the features of Autocallable Index-Linked Interest Notes with those of Equity-Linked Redemption Notes or by combining the features of Equity Linked Notes with those of Commodity Linked Notes and those of FX Notes. As a consequence of the combination of several features, not only will such Notes be subject to the risks relating to each of the relevant features but the combination of features may itself be, or result in, an additional risk. Potential investors should particularly evaluate the potential impact and risks of such a combination of features and risks.

Transparency Directive

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on an EEA Regulated Market and amending Directive 2001/34/EC (the "*Transparency Directive*") entered into force on January 20 2005. It requires member states to take measures necessary to comply with the Transparency Directive by 20 January 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, LBHI could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, LBHI may seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Irish Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may (with the approval of the Dealers) decide.